

**POSTED**  
**10/17/04**

**Georgia Water & Well Services, Inc.-**  
***Application for Approval of a Rate***  
***Increase in Water Rates and Charges***

***Docket No. 2003-295-W***

***Surrebuttal Testimony and Exhibit***  
***William O. Richardson***  
***Utilities Department***

***Public Service Commission of South Carolina***

RETURN DATE: OK DW  
SERVICE: OK DW

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

2 A. William O. Richardson, 101 Executive Center Drive, Columbia, South Carolina  
3 29210. I am employed by the Public Service Commission of South Carolina,  
4 Utilities Department, as Chief of the Water and Wastewater Area.

5 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN**  
6 **THIS PROCEEDING?**

7 A. The purpose of my surrebuttal testimony is to explain Staff's position  
8 regarding the Company's rebuttal testimony to Staff Audit Adjustment #3 and  
9 #5.

10  
11 It is the responsibility of the Utilities Department to recommend rates for  
12 depreciation of water and sewer plant to the Audit Department.

13  
14 The Utility Department has used as a guide for depreciation the following:

15 DEPRECIATION PRACTICES FOR SMALL UTILITIES – WATER

16 Compiled and Edited by the Depreciation Subcommittee of the NARUC  
17 Committee on Engineering, Depreciation and Valuation of the National  
18 Association of Regulatory Utility Commissioners, dated December 1972.

19  
20 Attached as Utilities Dept. Exhibit SR-1, is a copy of the suggested typical  
21 service lives for small water utilities that the Utilities Staff uses as a guide.

22  
23 As to Audit Adjustment #3, the NARUC Account Number 325 recommends  
24 that electric pumping equipment (submersible pumps; 0-5 hp) has a typical  
25 service life of 5-10 years. It is Staff's position that in the event that a pump  
26 needs to be retired before it has been fully depreciated and if it is not  
27 covered by insurance, then the Company has the opportunity to request an  
28 extraordinary retirement of the asset in question. If the extraordinary  
29 retirement of asset(s) creates a material impact on earnings, then the

1 Company may ask for deferred treatment whereby the amortization of the  
2 deferral is synchronized with the Company's next rate case.

3  
4 In response to the Company's testimony regarding Audit Exhibit #5, the  
5 water line extension, the Utilities Staff has recommended a 40 year service  
6 life, even though the NARUC suggested service life in Account Number 316  
7 for plastic (PVC) under 4" is 50 years. Staff has also suggested that the  
8 Commission could consider a shorter depreciation of 3 years for the Company  
9 in situations such as this one. The Utilities Staff does not believe that the  
10 water line extension, at a cost of \$14,264, should be considered as a 1 year  
11 expense due to the fact that this is not an expense that will be recurring  
12 yearly. If the 1 year expense was approved by the Commission and the  
13 Company did not come before the Commission for a rate adjustment for  
14 another 3 years, the Company would recoup approximately \$28,528 (2 x  
15 \$14,264) in additional revenue.

16 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

17 **A.** Yes it does.  
18  
19  
20

DEPRECIATION PRACTICES  
FOR SMALL UTILITIES - WATER

*UTILITIES DEPARTMENT*  
*EXHIBIT SR-1*

December, 1972

Compiled and Edited by  
Depreciation Subcommittee of the  
NARUC Committee on Engineering, Depreciation and Valuation  
of the  
National Association of Regulatory Utility Commissioners

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# SUGGESTED TYPICAL SERVICE LIVES

## FOR SMALL WATER UTILITIES

<u>Account Number</u>	<u>Class of Plant</u>	<u>Service Life (Years)</u>
2. SOURCE OF SUPPLY		
310	Land and Land Rights	permanent
311	Structures and Other Improvements	
	Reinforced Concrete or Brick	50 - 60
	Cement Block	40 - 50
	Steel	40 - 50
	Wood Frame	30 - 40
312	Reservoirs and Tanks	
	Concrete	60 - 75
	Earth	50 - 60
	Steel	40 - 50
	Wood	30 - 40
313	Lake, River and Other Intakes (see 311)	
314	Wells and Springs	25 - 50
315	Galleries and Tunnels (see 311)	
316	Mains	
	Cast Iron	Over 75 4"-6" 60 Under 4" 25
	Asbestos Cement	60 60 50
	Concrete	50 50 50
	Steel	50 50 50
	Plastic	50 50 25
	Galvanized Wrought Iron	25
317	Other Plant (see 390)	

<u>Account Number</u>	<u>Class of Plant</u>	<u>Service Life (Years)</u>
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### 3. PUMPING

320	Land and Land Rights (see 310)	
321	Structures and Improvements (see 311)	
322	Boiler Plant Equipment (see 390)	
323	Other Power Production Equipment (see 390)	
324	Steam Pumping Equipment (see 390)	
325	Electric Pumping Equipment	
	Submersible pumps; 0-5 H.P.	5 - 10
	Submersible pumps, over 5 H.P.	15 - 25
	Turbine, 0-5 H.P.	10 - 15
	Turbine, over 5 H.P.	20 - 30
326	Diesel Pumping Equipment (see 390)	
327	Hydraulic Pumping Equipment (see 390)	
328	Other Pumping Plant (see 390)	

### 4. WATER TREATMENT

330	Land and Land Rights (see 310)	
331	Structures and Improvements (see 311)	
332	Water Treatment Equipment	
	Chlorinators	15 - 30
	Other	25 - 35

### 5. TRANSMISSION AND DISTRIBUTION

340	Land and Land Rights (see 310)
341	Structures and Improvements (see 311)
342	Reservoirs and Tanks (see 312)

<u>Account Number</u>	<u>Class of Plant</u>	<u>Service Life (Years)</u>
343	Transmission and Distribution Mains (see 316)	
344	Fire Mains (see 316)	
345	Services	
	Galvanized steel	25 - 35
	Copper	40 - 50
	Plastic	40 - 50
346	Meters	35 - 50
347	Meter Installation	35 - 50
348	Hydrants	
	Standard	50 - 60
349	Other Plant (see 390)	

#### 6. GENERAL PLANT

370	Land and Land Rights (see 310)	
371	Structures and Improvements (see 311)	
372	Office Furniture and Equipment	10 - 15
373	Transportation Equipment	7 - 10
379	Other General Plant	10 - 15

#### 7. OTHER UTILITY PLANT

390	Other Tangible Property	variable
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#### References:

- (1) "Depreciation Practices for Small Utilities - Water", December 1972, N.A.R.U.C. Committee on Engineering, Depreciation and Valuation. (first draft)
- (2) "Uniform System of Accounts for Class D Water Utilities - 1957", N.A.R.U.C.

NOTES: These services lives are intended only as a guide. Service lives which lie outside of the ranges listed, or which lie near the extremes of the ranges listed, should be supported by appropriate documentation.